

Message Text

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ACTION SS-25

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FM AMEMBASSY CANBERRA
TO 5SECSTATE WASHDC PRIORITY 2916
INFO AMEMBASSY TOKYO

C O N F I D E N T I A L CANBERRA 2609

EXDIS

E.O. 11652: GDS
TAGS: EGEN, EFIN, PGEN, AS, JA, US
SUBJECT: PRIME MINISTER FRASER'S TRIP TO JAPAN

REF: CANBERRA 2501

1. SUMMARY: FONMIN PEACOCK CALLED THE EMBASSY POLCOUNS
ASIDE DURING A DIPLOMATIC RECEPTION TO DISCUSS PRIME
MINISTER FRASER'S VISIT TO JAPAN APRIL 18-21. PEACOCK
SAID THAT HE HAD URGED THE PM TO VISIT JAPAN AT THIS TIME
BECAUSE OF: (1) AUSTRALIAN CONCERN OVER THE "SERIOUSLY
DETERIORATING" ECONOMIC SITUATION IN THE U.S. WHICH WOULD
HAVE MAJOR IMPACT ON THE AUSTRALIAN ECONOMY; (2) CONCERN
OVER THE "DRASTIC POSITION" OF THE U.S. DOLLAR IN INTER-
NATIONAL CURRENCY MARKETS; AND (3) BECAUSE OF THE "ABYSMAL
RESULTS" OBTAINED BY DEPUTY PRIME MINISTER ANTHONY DURING
HIS VISIT TO JAPAN IN MARCH TO DISCUSS BILATERAL TRADE
PROBLEMS. END SUMMARY.

2. PEACOCK SAID THAT HE BELIEVED THE U.S. ECONOMIC SITUATION
WAS MUCH WORSE THAN THE WORLD GENERALLY RECOGNIZED. HE BE-
LIEVED THAT SERIOUS DIFFICULTIES WERE AHEAD AND THAT THERE WAS
A REAL DANGER THAT THE U.S. DEPRESSION WOULD DESTROY
AUSTRALIA'S ATTEMPTS TO IMPROVE ITS ECONOMIC SITUATION.
CONFIDENTIAL

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PAGE 02 CANBER 02609 100459Z

PEACOCK SAID THAT FRASER SHARED HIS CONCERNS ABOUT THE U.S.
ECONOMY. (SEE CANBERRA 2539 RE TREASURER HOWARD'S REQUEST TO
TALK TO SECRETARY BLUMENTHAL. FRASER ALSO HAS RECENTLY REQUESTED
INFORMATION FROM THE EMBASSY ON CURRENT U.S. ECONOMIC POLICY.)
FRASER HAD DECIDED TO GO TO JAPAN BEFORE JAPANESE PRIME
MINISTER FUKUDA'S VISIT TO THE U.S. TO RELAY AUSTRALIAN CON-
CERNS OVER U.S. ECONOMIC POLICY, ESPECIALLY IN THE MONETARY

AREA. FRASER WAS PARTICULARLY CONCERNED BY THE SIZE OF THE U.S. DEFICIT, THE LACK OF PROGRESS IN DEVELOPING A WORKABLE ENERGY POLICY, THE POSITION OF THE U.S. DOLLAR, ALL LEADING TO EXCESSIVE INFLATIONARY PRESSURES ON THE WORLD'S MAJOR ECONOMIC POWER.

3. PEACOCK WENT ON TO SAY THAT HE AGREED THAT THE WORLD'S STRONG NATIONS (ESPECIALLY THE FRG AND JAPAN) NEEDED TO STIMULATE THEIR ECONOMIES AND MAKE GREATER EFFORTS TO EXPAND WORLD TRADE. HOWEVER, PEACOCK BELIEVED THAT THE U.S. WAS LEANING TOO HARD ON THE JAPANESE: "YOU ARE MUCH TOO HARSH ON THEM", ESPECIALLY IN FLOATING THE DOLLAR AND DRIVING THE YEN DOWN TO UNREALISTIC LEVELS. JAPAN'S ECONOMY WAS IN TROUBLE AND WOULD GET WORSE UNLESS THE U.S. TOOK STRONG STEPS TO STABILIZE THE DOLLAR. THIS IN TURN WOULD CAUSE DRASTIC SIDE-EFFECTS ON AUSTRALIA, WHICH IS ALMOST TOTALLY DEPENDENT ON JAPAN FOR ITS PRIMARY EXPORTS.

4. PEACOCK ALSO SAID THAT IN SPITE OF PUBLIC STATEMENTS TO THE CONTRARY FRASER WOULD RAISE BILATERAL PROBLEMS WITH THE JAPANESE. ALTHOUGH THE GOA WAS TRYING TO PUT A GOOD FACE ON IT, DEPUTY PRIME MINISTER ANTHONY'S VISIT TO JAPAN (CANBERRA 2476) HAD BEEN AN ABYSMAL FAILURE. FAR FROM GRANTING AUSTRALIA ANY PRIVILEGED ACCESS TO JAPANESE MARKETS, THE JAPANESE HAD MADE IT CLEAR THAT AUSTRALIA WOULD BE TREATED THE SAME AS JAPAN'S ECONOMY WOULD HAVE DISASTROUS EFFECTS ON AUSTRALIA, PARTICULARLY IN THE MINING

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CANBER 02609 100459Z

AREA.

5. FINALLY, THE PM WOULD DISCUSS FUKUDA'S TRIP TO THE U.S. WITH FUKUDA AND URGE THE JAPANESE PRIME MINISTER TO PUSH FOR DECISIVE U.S. MEASURES TO STABILIZE THE DOLLAR.

6. PEACOCK ENDED THE CONVERSATION BY INVITING THE POLCOUNS FOR A RUN-DOWN ON HIS DISCUSSIONS IN JAPAN FOLLOWING PEACOCK'S RETURN FROM TOKYO.

ALSTON

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